

# Beacon Island Share Block Proprietary Limited

Registration No. 1983/005957/07



## Annual Report

for the year ended 31 December 2018

# Beacon Island Share Block Proprietary Limited

## Annual Financial Statements

for the year ended 31 December 2018

### COMPANY INFORMATION

Registration number: 1983/005957/07  
Registered address: Palazzo Towers East  
Montecasino Boulevard  
Fourways  
2055  
Postal address: Private Bag X200  
Bryanston  
2021

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The following supplementary information does not form part of the annual financial statements and is unaudited:

- Detailed Levy Fund Operating Statement 25 - 27

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The annual financial statements have been audited as required by section 30(2)(b)(1) of the South African Companies Act 71, of 2008. Mr Warren Whiteboy CA(SA), in his capacity as financial manager of Beacon Island Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

# Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2018

Once again, it is my pleasure to report back to you on the operation, projects, financial wellbeing and future plans of our outstanding Resort.

## Improvement of Facilities

The windows of the Indigo Bay Restaurant were replaced, its electrical infrastructure was upgraded and its floors, ceiling and shopfront were refurbished. In addition, its exterior walls were treated to protect them from spalling. Shareholders should be aware of the difficulties that we have had with the restaurant operator. These have led to a protracted legal process. The operator was evicted on 20 August 2019 and exciting improvements have been planned. The Board will keep you apprised of future developments.

The revolving doors at the Resort's main entrance were replaced. The DSTV offering was expanded by an extra 20 channels to a total of 46. In addition, we have a new bus to transport guests to town and back and on other excursions.

While the bedroom refurbishments is set for 2019, the Resort procured equipment and supplies for this in 2018. The motivation was to do the refurbishment at the best price possible by avoiding annual price escalations.

## Human Resources

We believe very strongly in developing our own staff members and empowering them for promotion through the ranks. As in previous years, our General Manager, Reinhard Visser, prioritized continuous staff training and development. Confident and motivated staff results in satisfied guests. Intensive training at courses and on site results in staff who are sharp, on the ball and performing at the top of their game.

This approach not only builds up the human capital that is the Resort's lifeblood, but makes a hefty contribution to the skills base and overall socio-economic wherewithal of the local community in our region. This is further strengthened by our corporate social investment in grass-roots schools and sponsorship of local public-benefit organisations that are in dire need.

We were pleased to have Hannes van Raaij return to the Resort after several years away at other Tsogo Sun properties. We welcome him in the key position of Maintenance Manager.

## Guest Centricity

We continuously monitor our eGuest surveys and have regard to areas identified for improvement. Satisfaction levels were pleasingly consistent with those for the previous two years, remaining high at a year-end total of an incredible 91.1%.

On the basis of guest ratings in 2018, our Resort won a prestigious TripAdvisor Travellers' Choice Award placing it in 10th place of the 'Top 25 Hotels' in South Africa.

## Occupancy

The Resort boasts a high occupancy rate. The year ended on an overall occupancy of 88.8%. Reinhard and his team are commended for maintaining high occupancies without compromising on the Resort's standards.

## Financial Results for the Year Ended 31 December 2018

Shareholders are referred to the Statement of Comprehensive Income (page 14), which summarises the Resort's income and expenditure. The traditional levy fund operating statement (pages 25–27) provides shareholders with supplementary information. Reference will be made to this when the financial results for the year are considered.

The Statement of Comprehensive Income for the year ended 31 December 2018 reflects total income, including net finance income, of R52.960m (2017: R51.187m) and total expenditure of R36.086m (2017: R34.911m). The levy surplus after taxation was R15.420m (2017: R14.893m). This has been transferred to the reserve. These are excellent results.

## Income

Total income for the year included interest received, which had steady growth caused by the reinvestment of maturing investments. Rental income from commercial tenants increased by 9.5% compared to the previous year. Long-term rental pool income also reflected an increase.

## Expenditure

Total expenditure for the year increased by 3.4%.

## Rooms Expenditure

Rooms expenditure increased by 3.9% year-on-year. The appointment of pool safety marshals during the peak periods resulted in a year-on-year increase of 15.7% in security services. Expenditure on guest entertainment and bands increased by 12.9% due to an expanded welcome offering and the addition of a pianist in the foyer. Cleaning supplies and guest supplies increased due to increased usage and bulk purchases.

## Administration and General

Administration and general expenses decreased by 1.9% year-on-year. Two separate insurance claims contributed to this decrease. One related to a Quantum Bus that was involved in an accident, and the other to damage to the outside lawns caused by an extraordinarily large wave.

# Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2018

## Electricity, Water and Refuse

Electricity costs were kept in line with last year's costs despite an annual tariff increase. Tremendous effort was put into water savings at the Resort mainly through the use of the old aquarium as a tank to store rainwater. This resulted in a 15.6% reduction in the cost of water at the Resort.

## Repairs and Maintenance

Repairs and maintenance increased by 20.8% year-on-year due to ongoing maintenance and repairs in the rooms and elsewhere on the property. Some major services to fire equipment, heat pumps and other key R&M equipment resulted in an increase in expenditure. Several electrical faults also contributed to this. We decided to upgrade and replace the distribution boards for the electrical systems in the rooms as part of the refurbishment programme.

## Corporate Charges

Corporate charges increased by 5.2% year-on-year. More owners are receiving their annual financial statements electronically. This has seen a steady decrease in annual report and statutory costs over the years.

## Statement of Financial Position

The Statement of Financial Position is reflected on page 15, with notes related to it providing further information. The reserve for the replacement of property, plant and equipment reflects a balance of R66.885m (2017: R57.327m) after transfer of the operating surplus for 2018 of R15.420m (2017: R14.893m) and normal capital expenditure costs of R5.863m (2017: R6.295m). Levies receivable increased to R116k (2017: R59k).

Shareholders are thanked for continuing to meet their levy obligations by paying levies in advance. Levies received in advance have increased to R16.236m (2017: R15.613m). Surplus funds are invested for the benefit of all shareholders. Cash and cash equivalents increased to R70.334m (2017: R76.096m).

## Capital Expenditure

Capital expenditure during 2018 amounted to R5.862m (2017: R6.295m). The following major items of expenditure were incurred:

Refurbishment of Island Diner Restaurant	R1.998m
Mock-up units	R875,060
Hotel vehicle	R497,858
Foyer revolving door	R461,769
Multi-purpose court	R309,828
Carpet replacements	R290,020
Audio-visual equipment	R178,186
Pool umbrellas	R142,202

## 2020 Levy Budget

As was the case in previous years, the 2020 annual levy budget and increase were approved by the Directors at the August 2019 Board meeting. Directors were extremely mindful of the constrained economic climate and demands already made on our shareholders. Due diligence was exercised in aiming to meet the Resort's fiscal obligations whilst at the same time ensuring stable growth in the Reserve Fund for future maintenance and improvements. This Reserve ensures the stability, continuity and future of the Resort.

## Vacation Ownership Association of South Africa

The Vacation Ownership Association of South Africa (VOASA) is a self-regulatory member-based trade association for the shared vacation ownership industry in South Africa. VOASA exists to protect consumer rights and commit the timeshare industry to growing in a positive and organised manner. Its code of conduct outlines the intention to govern business practices by protecting the interests of both consumers and the industry and to promote an equitable, negotiated balance between the two. Our share block remains a member of VOASA and our Director, Anthony Ridl, currently serves as Chairman of that Board.

## Social and Ethics Committee

Since the status of the Social and Ethics Committee was raised to a proper standing committee, a separate account of its activities for the year is provided on pages 8-9 of this Annual Report.

## Annual General Meeting

I encourage every shareholder either to attend this year's annual general meeting or kindly to complete the form of proxy enclosed in this Annual Report on page 5, should you be unable to attend.

## Conclusion

I am delighted by our Resort's impressive performance, and thank my fellow Directors for their acumen and wise judgment in the decisions made over the past year. We are most fortunate to have such a formidable Board of Directors that is committed to the best interests of our shareholders.



A handwritten signature in black ink, appearing to read 'Laurance Hodes'.

**Laurance Hodes**  
Chairman

Notice is hereby given to the shareholders of the Company that the annual general meeting ("AGM") of the Company will be held on **Friday, 4 October 2019 at 11h00 at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town Waterfront**, for the purposes of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions set out hereunder, and considering any other matters raised by shareholders at the AGM:

**1. Receipt and adoption of annual financial statements and reports**

Ordinary resolution 1: Resolved as an ordinary resolution to receive and adopt the annual financial statements of the Company for the financial year ended 31 December 2018, together with the reports of the Directors, the independent auditors thereon, and further to receive the reports of the audit committee, the social and ethics committee, contained in the annual report of the Company for the financial year ended 31 December 2018, and tabled at the meeting at which this resolution was proposed.

**2. Appointment of auditors**

Ordinary resolution 2: Resolved as an ordinary resolution upon the recommendation of the audit committee that SNG Grant Thornton be and are hereby appointed as independent auditors of the Company until the conclusion of the next AGM of the Company.

**3. Election of Directors**

In accordance with Company's memorandum of incorporation ("MOI"), the number of Directors shall be no less than three (3) and no more than seven (7) and that the longest serving Directors shall retire at an AGM. The longest serving Directors shall be those who have held office for three (3) successive AGMs excluding the meeting at which they are elected or re-elected and including the third (3) meeting at which they shall automatically retire. By rotation, Messrs. Laurance Hodes, Anthony Ridl and Deon Viljoen retire at this AGM. It would facilitate secretarial procedures if nominations for the appointment of those Directors be received by no later than 11h00 on Wednesday, 2 October 2019 at the registered office of the Company or email address. **Nominations must be in writing with the name of the proposer and seconder and be accompanied by the acceptance of such nomination by the nominee and their curriculum vitae ("CV").**

Ordinary resolution 3.1: Resolved as an ordinary resolution that Mr Laurance Hodes who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.2: Resolved as an ordinary resolution that Mr Anthony Ridl who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.3: Resolved as an ordinary resolution that Mr Deon Viljoen who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

**4. Appointment of audit committee**

Ordinary resolution 4.1: Resolved as an ordinary resolution that Mr Gary Kaplan be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

Ordinary resolution 4.2: Resolved as an ordinary resolution that Mr Anthony Ridl be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

Ordinary resolution 4.3: Resolved as an ordinary resolution that Mr Robert Segal be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

**5. Insured value of property**

Ordinary resolution 5: Resolved as an ordinary resolution the recommended insured value of the property, as tabled at the meeting at which this resolution was proposed, be and is hereby approved.

**6. Non-executive Directors' fees**

Special resolution 1: It is noted that an amount of R8,000 for non-executive Directors fees was approved at the previous AGM for the year until 4 October 2019. It is now resolved as a special resolution that R8,000 (Vat payable, to the extent applicable to this remuneration) payable to the non-executive Directors of the Company for their services as Directors of the Company and/or as members of the board, sub-committees, or cluster of meetings, in respect of the period from 5 October 2019 until the next AGM of the Company, and tabled at the meeting at which this resolution was proposed, be and is hereby approved.

***The reason for and effect of this special resolution:***

In terms of section 66(8) of the South African Companies Act 71, of 2008, the Company may pay remuneration to its Directors for their service as Directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by the shareholders within the previous two (2) years. Section 66(12) requires that any particular Director appointed to more than one (1) committee of the Company, be calculated only once. Directors will be entitled to be paid attendance fees/emoluments in respect of the above period.

Subject to the provisions of the South African Companies Act 71, of 2008, no business shall be transacted at any AGM unless a quorum of shareholders is present at the time when the meeting proceeds to business. The quorum at any AGM shall be no less than three (3) shareholders present, holding at least five percent (5%) of the share capital and voting rights, personally or by proxy, and who are entitled to be exercised at the meeting.

In the event of a quorum not being present within half-an-hour of the appointed time for the meeting to begin, the AGM will be automatically adjourned for one (1) business day, to Monday, 7 October 2019 and if at such adjourned meeting a quorum is not present within half-an-hour of the start time, the shareholders there present in person or by proxy shall be deemed to constitute the necessary quorum.

For an ordinary resolution to be adopted by shareholders at the AGM, it must be supported by more than fifty-percent (50%) of the voting rights in favour of such a resolution. For a special resolution to be adopted by shareholders at the meeting, it must be supported by more than sixty-percent (60%) of the voting rights in favour of such a resolution.

**The record date for determining shareholder's voting rights is 25 September 2019.**

Any shareholder entitled to attend and vote, is entitled to appoint a proxy to attend, vote and speak in his/her stead, and such proxy need not be a shareholder of the Company. **Forms of proxy should be forwarded to reach the registered office of the Company, for the attention of the company secretary, by no later than 11h00 on Wednesday, 2 October 2019. A form of proxy is enclosed on page 5 for this purpose.**

**Beacon Island Share Block Proprietary Limited**  
 Registration Number: 1983/005957/07  
 ("the Company")

Registered Office  
 Palazzo Towers East  
 Montecasino Boulevard  
 Fourways, 2055

Private Bag X200  
 Bryanston, 2021  
 Telephone: (031) 561 2204  
 Facsimile: (031) 561 7334  
 Email: [Resorts.companysecretarialservices@tsogosun.com](mailto:Resorts.companysecretarialservices@tsogosun.com)

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Friday, 4 October 2019 at 11h00, at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town Waterfront.**

**Form of proxy**

I/We ....., being the shareholder/s of ..... ordinary shares in the Company,  
 with right of use of unit ....., week ....., hereby appoint:

1. ...., or failing him/her,
2. ...., or failing him/her,
3. The chairman of the AGM.

As my/our proxy to vote for me/us on my/our behalf at the AGM of the Company, to be held on the above-mentioned date and at any adjournment thereof as follows:

	In Favour Of	Against	Abstain
<b>Ordinary Resolution 1:</b> Receipt and adoption of annual financial statements and reports - Year ended 31 December 2018			
<b>Ordinary Resolution 2:</b> Appointment of auditors			
<b>Ordinary Resolution 3:</b> Election of Directors			
3.1 Laurance Hodes			
3.2 Anthony Ridl			
3.3 Deon Viljoen			
<b>Ordinary Resolution 4:</b> Appointment of audit committee			
4.1 Gary Kaplan			
4.2 Anthony Ridl			
4.3 Robert Segal			
<b>Ordinary resolution 5:</b> Insured value of property			
<b>Special Resolution 1:</b> Non-executive Directors' fees			

Signed at ..... this ..... day of ..... 2019.

Signature ..... assisted by ..... (where applicable)

Unless otherwise instructed, specifically as above, the form of proxy will vote, as the appointee deems fit.

Any alteration or correction made to this form of proxy (excluding the deletion of alternatives and excluding the deletion of singular/plural alternatives) must be initialled by the signatory/ies. **Documentary evidence establishing the authority of a person signing this form of proxy in an appointee/representative capacity (e.g. on behalf of a Company, Close Corporation, Body Corporate or Trust) must be attached to this form, failing which the proxy will be invalid.**

The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so. Any shareholder entitled to attend and vote, is entitled to appoint a proxy to attend, vote and speak in his/her stead and such proxy need not be a shareholder of the Company.

**Forms of proxy should be forwarded to reach the registered office of the Company, for the attention of the company secretary, by no later than 11h00 on Wednesday, 2 October 2019.**



# Beacon Island Share Block Proprietary Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2018

The Directors and management are responsible for the preparation, integrity and fair presentation of the annual financial statements of Beacon Island Share Block Proprietary Limited. The annual financial statements presented on pages 14 to 24 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the South African Companies Act 71, of 2008.

The Directors and management are also responsible for maintaining the Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Directors and management have the responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position, financial performance and cash flows of the Company to enable the Directors to ensure that the annual financial statements comply with the relevant legislation. The Directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the Company at year-end.

The going concern basis has been adopted in preparing the annual financial statements. The Directors have no reason to believe that the Company will not be a going concern in the foreseeable future.

The Company's external auditors, SNG Grant Thornton, audited the annual financial statements and their report is presented on pages 12 and 13.

## Approval of annual financial statements

The annual financial statements set out on pages 14 to 24 were approved by the board of Directors on 27 May 2019 and are signed by:



**LM Hodes**  
Chairman



**G Kaplan**  
Director: (chairman: audit committee)

## Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of Beacon Island Share Block Proprietary Limited that for the year ended 31 December 2018, the Company has filed all required returns and notices in terms of the South African Companies Act 71, of 2008 and that all such returns and notices are, to the best of my knowledge and belief true, correct and up to date.



**MJ Mahloele**  
For Southern Sun Secretarial Services Proprietary Limited

# Beacon Island Share Block Proprietary Limited

Report of the Audit Committee for the Year Ended 31 December 2018

The audit committee has pleasure in submitting this report, as required by section 94 of the South African Companies Act, 71 of 2008. The audit committee is an independent statutory committee appointed by the shareholders at each annual general meeting.

## 1. Members of the audit committee

The members of the audit committee comprise three independent non-executive Directors being Messrs. Gary Kaplan (Chairman), Anthony Ridl and Robert Segal.

## 2. Frequency of meetings

The audit committee met twice during the financial year under review. Provision is made for additional meetings to be held, when and if necessary.

## 3. Attendance

The external auditors, in their capacity as auditors to the Company, attended and reported to the meetings of the audit committee. Relevant senior managers attended the meeting by invitation.

## 4. Duties of the audit committee

The work of the audit committee during the year focused on:

- 4.1 Evaluating the independence and effectiveness of, and the fees and terms of engagement of, the external auditors;
- 4.2 Ensuring that the appointment of the auditor complies with the provision of the South African Companies Act and any other legislation relating to the appointment of auditors;
- 4.3 Approving of external audit and internal audit plans;
- 4.4 Determining, subject to the provisions, the nature and extent of any non-audit services that the auditor may provide to the Company, or a related Company;
- 4.5 Reviewing of prospective accounting standard changes;
- 4.6 Evaluating of financial reporting procedures;
- 4.7 Reviewing of and recommendation to the board for approval of the annual financial statements;
- 4.8 Assessing of the internal control environment, particularly in relation to the system on internal financial controls; and
- 4.9 Performing such other oversight functions as may be determined by the board.

## 5. Independence of external auditors

The audit committee has satisfied itself that the external auditor is independent of the Company, as set out in section 94(8) of the South African Companies Act 71, of 2008. Requisite assurance was provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.



G Kaplan  
Chairman  
27 May 2019



# Beacon Island Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2018

The Social and Ethics Committee (the Committee) of Beacon Island Share Block Proprietary Limited is a statutory committee governed by the Companies Act, guided by King IV, and mandated to fulfill all other responsibilities assigned to it by the Board of Directors.

## Role of the Committee

The Committee's role, overall, is to ensure that the Resort uses its resources in a safe, sustainable, compliant and strategic manner, and that it maintains high-quality, forward-looking relationships with stakeholders (guests, employees, the community and wider society) that are essential to its success.

In particular, the Committee, among other things, ensures that the Resort's energy, water and waste programmes are robust; monitors guest feedback and staff development; and promotes corporate citizenship and social investment.

## Composition and Functioning

The Committee meets twice a year, and is comprised of three Board Directors, namely Charles Wells (Chairman), Deon Viljoen and John Lee. They are assisted by Adam Fuller (Operations Director) and Reinhard Visser (General Manager), along with Ronel Schoeman (Deputy GM) and Laurance Hodes. In 2018, the Committee welcomed two further invitees to its pool of expertise, namely Ursula Tarr (Sales Agent) and Marianne van Rooyen (PA to the General Manager).

## Activities of the Committee

The Committee provided direction, exercised oversight, and mobilised a wide range of endeavours that benefited the Resort and its social, economic and environmental context. The zeal that went into these endeavours, and the outcomes they led to, are testament to the commitment of the entire Resort team.

## Environmental Health & Public Safety

Environmental health and public safety are interlocking priorities; together, they constitute a major focus of the Committee's work. The emphasis is, on the one hand, on energy, water and waste programmes, and, on the other, the implementation of the Organisational Resilience Management System (ORMS) which Southern Sun Resorts/Tsogo Sun has adopted in all its properties. We are pleased to report that, as other years did, 2018 saw outstanding performance on both fronts.

Effective energy, water and waste management is vital to sustainability. Through a variety of means, the Resort achieved a year-on-year saving of 2.98% in electricity consumption and of 19.45% in water consumption – in addition to which it was able to recycle 61.28% of its waste.

Energy savings are due to a combination of factors. In the S.O.S. ('Switch Off Something') programme, staff as well as guests are encouraged to switch off unnecessary lights and appliances. This awareness-raising and behaviour-change measure is complemented by technology: the lighting in various public areas is now linked to timers, while heat pumps of greater energy-efficiency have been installed. The Resort is also equipped with a system, run by an outside company, that monitors its utility meters automatically and provides online reports about electricity and water usage. As soon as anomalies are detected, management is alerted and take corrective action to prevent wastage.

Deploying this hi-tech solution has been instrumental in helping the Resort reduce its consumption of municipal water by nearly one-fifth. However, the lion's share of the credit for this must go to a long-disused feature from the Resort's heyday: the old aquarium. With a capacity of 90,000 litres, it was successfully repurposed as a storage tank for rainwater. It is this rain water which is now being used for irrigation and outdoor cleaning.

On the recycling front, the Resort tackles its waste with a purpose. It has been shredding paper waste and converting it into charcoal bricks; using a glass-crusher to grind bottles back into sand; and compacting tin cans and taking them to a scrapyards to be recycled. In conjunction with other role-players, plastic beverage bottles stuffed with refuse are made into eco-bricks and used to build a store-room for a local school. The Resort also participates in an initiative by the Sweethearts Foundation in which bottle tops and bread tags are recycled in exchange for wheelchairs.

These and other activities to do with energy, water and waste seek to minimise the Resort's impact on the environment and maximise its resilience in the face of potential challenges. They dovetail with the Committee's larger, holistic intent of ensuring compliance with the ORMS, which, as its name indicates, is about precisely that: organisational resilience. It is a comprehensive management system that records plans and procedures relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the effects thereof on the business. The system is updated quarterly and audited annually by Southern Sun Resorts/Tsogo Sun.

In this regard, the Resort again achieved top marks in its audit, scoring 97%. The focus in 2018 was on fire safety, further to which all fire hoses on the property were upgraded. The Resort also employed a fire engineer to develop a fire-protection design for the building compliant with the current legislation and implement it in tandem with the refurbishment of timeshare units under way in 2019.

## Guest Relations & Correspondence

Guest satisfaction is fundamentally important. So too, then, is monitoring feedback on eGuest surveys and responding to it, in the sense both of replying to individuals and of taking heed of what is said. Other sources of feedback include social media reviews, such as on TripAdvisor, and industry awards.

Beacon Island Resort fared with distinction across these different channels of communication. It not only finished the year with a score of 91.1% on its eGuest satisfaction ratings, but, on the strength of the feedback that guests gave it during 2018, won a TripAdvisor Travellers' Choice Award as Number 10 among the 'Top 25 Hotels' in South Africa.

The Resort was also the runner-up in two categories at the RCI Awards - Top Unit Maintenance and Superior Service in Hospitality – while Reinhard Visser was runner-up for General Manager of the Year.

## Labour, Employment Relations and BBBEE

Happy staff result in happier guests. As stated in last year's report, all employees are treated equally, the Resort complies with the Labour Relations Act, and is linked to the BBBEE rating of the Tsogo Sun Group, which is a Level 1 contributor. Management assists in enhancing employee relationships through communication, performance management, and processing grievances and/or disputes.

In particular, the Resort operates on the principle that employees are its most critical asset, and thus kept up its vigorous emphasis on ongoing staff training and development. A total of 1,764 hours was devoted to training.

# Beacon Island Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2018

## Corporate Citizenship & Social Investment

The Committee is aware that, as one of the largest employers in the Plettenberg Bay area, the Resort enjoys a special interdependency with the community that surrounds it and from which the majority of its labour force hails. What arises from this symbiosis is both a need and a responsibility for the Resort to contribute to uplifting its human biosphere through corporate social investment (CSI) or, generally, by conducting itself in a spirit of corporate citizenship. It duly puts deed to word by supporting beneficiaries in any of three ways: in time, in kind, and with monies generated by charitable fundraising. Whereas the focus of the Resort's corporate citizenship is on sponsorships, its CSI emphasises the hands-on stuff of in-time and in-kind.

This is illustrated by three grass-roots projects the Resort assisted in 2018: Kranshoek Kindergarten, a longstanding beneficiary, which team members visited regularly in order to plant trees and help out with general upkeep; Wittedrift Primary School, a newer project that saw more intensive involvement; and the You Shine programme which an NGO has been running at Phakamisani Primary School.


In the case of Wittedrift, the biggest issue to address was learners' health and safety, given that the ablution facilities were in disrepair, kitchen gas bottles posed a danger, and the school was exposed to theft and vandalism. The Resort carried out various refurbishments, ongoing from 2017 into 2018, to address these problems, with the result that learners have a much-improved physical environment more conducive to learning and grade progression.

During the year, the Resort also continued to be hands-on at Phakamisani. You Shine is a literacy programme to help young second-language speakers learn to read in English so that they are able to cope with the change-over to English-medium instruction in Grade 4. The Resort team regularly spent time reading one-on-one to the children in English; in addition to receiving this in-time contribution and a financial one, the school benefited from a collection of books donated by the Board, management, staff and timeshare owners.

Sponsorships were also provided to a long catalogue of organisations, from the NSRI and Lions Club: Uitenhage to Elephants Alive and Bitou Fire Department, and from pre-primary schools to hospices and community sports clubs. In 2018, the Resort laid down the building blocks in more ways than one.

## Strategic Plans

Looking to the future, specifically in regard to internal operations, the Committee's strategic plans focused on the Resort's food and beverage offering. The intention has been to bring it into line with the beautiful bedroom refurbishments being rolled out in 2019 and the foyer upgrade set for 2020.



**Charles Wells**  
Chairman

# Beacon Island Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2018

The Directors present their annual report of the Company for the year ended 31 December 2018.

## 1 Business Activity

The Company leases the land and buildings known as Beacon Island Resort which are utilised by the shareholders on a timeshare basis with respective shareholders' time interest being apportioned through the issue of shares according to share block regulations. These regulations provide for the following:

1. Shares are issued in predefined blocks which are linked by a use agreement relating to specific units during specific weeks of the year;
2. Linked to the respective share blocks are obligations on the share block owners to make loans to the Company; and
3. Obligations on share block owners to contribute levies to enable the Company to defray its expenditure.

## 2 Financial results

The financial results of the Company are set out in the attached annual financial statements.

In accordance with the provisions of the Share Blocks Control Act, and in common with other timeshare operations in South Africa, your Company has, since its inception as a Share Block Company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and additions to property, plant and equipment have been charged against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R15,419,975 (2017: R14,892,579) was transferred to the reserve for property, plant and equipment.

No dividends have been declared during the year and none is recommended (2017: R Nil).

## 3 Share capital

The authorised and issued share capital has remained unchanged.

## 4 Insurance

The resort buildings and their contents are insured at current replacement values under an all-risk policy. In addition, Sasria (Riot) cover has been arranged for the sum insured. The Company does not insure personal belongings of the individual timesharers.

The Company does not guarantee the provision of alternative accommodation in the event of a disaster and does not take out insurance for this.

# Beacon Island Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2018

## 5 Directors and Secretary

The Directors in office during the year under review and at the date of this report are:

RN Dickson *	Resigned 5 October 2018
LM Hodes	Chairman
G Kaplan *	
JA Lee ^	
AN Ridl *	
RJ Segal *	Appointed 5 October 2018
DP Viljoen ^	
CP Wells ^	

\* Audit Committee Members

^ Social & Ethics Committee Members

The secretary of the Company is Southern Sun Secretarial Services Proprietary Limited, whose business and postal addresses are:

<b>Business:</b>	<b>Postal:</b>
Palazzo Towers East	Private Bag X200
Montecasino Boulevard	Bryanston
Fourways	2021
2055	

## 6 Management

The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited.

## 7 Material events after year end

The Directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or in the annual financial statements, that would affect the financial position of the Company or the results of its operations significantly.

# Beacon Island Share Block Proprietary Limited

Report of the Independent Auditors

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Beacon Island Share Block Proprietary Limited set out on pages 14 to 24, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Beacon Island Share Block Proprietary Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the South African Companies Act and the supplementary information set out on pages 25 to 27. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the South African Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# Beacon Island Share Block Proprietary Limited

Report of the Independent Auditors

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette 39475 dated 04 December 2015, we report that SNG Grant Thornton has been the auditor of Beacon Island Share Block Proprietary Limited for 4 years.



### **SNG GRANT THORNTON**

Registered auditors  
Practice number: 946016

### **per A Timol**

Registered auditor  
Director  
SizweNtsalubaGobodo Grant Thornton Inc.

27 May 2019

2nd Floor  
4 Pencarrow Crescent  
Pencarrow Park  
La Lucia Ridge Office Estate  
4019

# Beacon Island Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 R	2017 R
<b>Income</b>		<b>46 718 085</b>	45 340 415
Levy Income - normal		<b>43 471 911</b>	41 782 607
Other Income		<b>3 246 174</b>	3 557 808
<b>Expenses</b>		<b>(36 085 815)</b>	(34 911 093)
Levy surplus before interest and taxation	3	<b>10 632 270</b>	10 429 322
Finance income	4	<b>6 242 236</b>	5 846 672
Levy surplus before taxation		<b>16 874 506</b>	16 275 994
Income tax expense	5	<b>(1 454 531)</b>	(1 383 415)
<b>Levy surplus for the year</b>		<b>15 419 975</b>	14 892 579



# Beacon Island Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2018

	Note	2018 R	2017 R
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	6	21 530 477	5 703 611
Levies receivable	7	116 405	59 376
Cash and cash equivalents		70 333 594	76 095 754
<b>Total current assets</b>		<b>91 980 476</b>	<b>81 858 741</b>
<b>Total assets</b>		<b>91 980 476</b>	<b>81 858 741</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	10	320 000	320 000
Reserve for property, plant and equipment	8	66 884 868	57 327 101
<b>Total equity</b>		<b>67 204 868</b>	<b>57 647 101</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Exchange fee rebate		-	36 570
<b>Total non-current liabilities</b>		<b>-</b>	<b>36 570</b>
<b>Current liabilities</b>			
Trade and other payables	9	7 084 910	7 178 173
Levies received in advance		16 236 167	15 613 482
Current tax liabilities		1 454 531	1 383 415
<b>Total current liabilities</b>		<b>24 775 608</b>	<b>24 175 070</b>
<b>Total liabilities</b>		<b>24 775 608</b>	<b>24 211 640</b>
<b>Total equity and liabilities</b>		<b>91 980 476</b>	<b>81 858 741</b>

## Statement of Changes in Equity for the Year Ended 31 December 2018

	Note	2018 R	2017 R
<b>Share Capital</b>			
Ordinary shares at beginning and end of year	10	320 000	320 000
<b>Reserve for property, plant and equipment</b>			
At beginning of year		57 327 101	48 729 893
Levy surplus for the year		15 419 975	14 892 579
Property, plant and equipment additions and replacements during the year	8	(5 862 208)	(6 295 371)
At year-end		66 884 868	57 327 101

# Beacon Island Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2018

	2018 R	2017 R
<b>Cash flow from operating activities</b>		
Levy surplus before taxation	16 874 506	16 275 994
Adjustments for:		
Interest received	(6 242 236)	(5 846 672)
Non cash items		
- Movement in exchange fee rebate	(36 570)	(438 756)
Net surplus before working capital changes	10 595 700	9 990 566
Changes in working capital		
- Movement in levies receivable	(57 029)	168 492
- Movement in trade and other receivables	(15 826 866)	(845 254)
- Movement in levies received in advance	622 685	401 491
- Movement in trade and other payables	(93 263)	(1 586 770)
Cash flows from operating activities	(4 758 773)	8 128 525
Interest received	6 242 236	5 846 672
Tax paid	(1 383 415)	(1 320 574)
Net cash inflow from operating activities	100 048	12 654 623
<b>Cash flow from investing activities</b>		
Property, plant and equipment additions and replacements	(5 862 208)	(6 295 371)
Net cash outflow from investing activities	(5 862 208)	(6 295 371)
<b>Net movement in cash and cash equivalents</b>	(5 762 160)	6 359 252
Cash and cash equivalents at beginning of year	76 095 754	69 736 502
<b>Cash and cash equivalents at year-end</b>	70 333 594	76 095 754

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

## 1 Accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SME's) and the South African Companies Act 71, of 2008. The annual financial statements have been prepared on the historical cost basis unless otherwise indicated in the policies set out below.

The accounting policies are consistent with previous periods.

The preparation of annual financial statements in conformity with IFRS for SME's requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. During the current year, there were no areas involving a high degree of judgement or complexity, or areas where assumption and estimates are significant to the annual financial statements.

### 1.2 Reserve for property, plant and equipment

Normal maintenance expenditure is written-off against the statement of comprehensive income.

A reserve for capital expenditure in respect of additions and replacements of property, plant and equipment is provided. This reserve is intended to provide for the expenditure incurred. Transfers are made to and from this reserve, having regard to surpluses, if any, in the statement of comprehensive income and to amounts expended in respect of property, plant and equipment. The right of use of all property, plant and equipment is vested in the shareholders.

All proceeds on the disposals of property, plant and equipment are credited to the statement of comprehensive income.

### 1.3 Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

## 1.4 Financial instruments

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Such provision is established when there is evidence that the Company will not be able to collect the full amount owing. The provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. Bad debts are written off in the year during which they are identified.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Gains and losses on subsequent measurement of financial instruments are reflected in the statement of comprehensive income.

## 1.5 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks. These are reflected in the statement of financial position and statement of cash flows at cost.

## 1.6 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

Special levy revenue is recognised when raised.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Rental income from tenants are disclosed net of the related management fee.

Other sundry revenue is recognised when it is earned.

## 1.7 Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be established.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

## 1.8 Equity

Ordinary shares are classified as equity.

## 1.9 Current taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial year end date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

## 1.10 Retirement benefits

The Company participates in two defined contribution plans, the assets of which are held in a separate trustee-administered fund. The Company pays fixed contributions into a separate entity. Contributions are charged to the statement of comprehensive income in the year to which they relate. The Company has no further payment obligations once the contributions have been paid. The Pension Fund Act of South Africa governs the defined contribution plans. All permanent employees are required to belong to the defined contribution plans.

## 2 Financial Risk Management

### Capital Management

All costs associated with the maintenance of the resort, including the refurbishment of the property and replacements of movable property, plant and equipment, are financed out of levies from shareholders.

### Financial Risk Factors

The financial risks to which the Company is exposed are liquidity, credit and interest rate risk.

#### Liquidity Risk

In terms of the use agreements associated with the shares of the Company, shareholders are obliged to contribute levies sufficient to cover the costs of the maintenance, upkeep, control and management of the resort.

In order to manage the liquidity requirements of the Company, a rolling 10-year capital replacement and refurbishment plan is maintained and reviewed regularly by the board of directors. This plan provides for the orderly refurbishment of the property and maintenance of sufficient contingency reserves, based on increases in annual levies.

The financial instruments to which the Company is exposed represent bank balances and accounts receivable and payable in respect of the operation of the levy fund. Accounts payable are generally settled within 30 days. The carrying values of the financial instruments approximate fair value.

#### Credit Risk

Credit risk arises from bank balances and amounts due from shareholders. There is no significant concentration of credit risk on amounts due by shareholders.

The Company invests surplus cash on deposit and on call only with the four largest South African banking institutions.

Credit risk arising from levy amounts due is managed by close monitoring of outstanding balances and prompt repossession of defaulting units through the exercise of a lien on shares as provided in the memorandum of incorporation of the Company.

In terms of the Company's accounting policies, levies receivable are recognised in the statement of financial position only when the right to occupation arises.

#### Interest Rate Risk

The Company is exposed to interest rate risk to the extent that interest rates on bank balances with financial institutions may vary. As a matter of practice, adverse interest rate risk is minimised by conservative budgeting.

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018	2017
	R	R
<b>3 Levy surplus before interest and taxation</b>		
The levy surplus before interest and taxation is stated after taking into account the following:		
Employee costs		
- salaries, wages and benefits	10 261 833	9 571 101
- contributions to retirement funds	830 947	767 330
Management fees	2 039 234	2 083 208
Audit fees	139 700	136 477
Professional and legal fees	80 000	8 801
Other operating expenses	22 734 101	22 344 176
	<b>36 085 815</b>	<b>34 911 093</b>
<b>4 Finance income</b>		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	6 242 236	5 846 672
Finance income	<b>6 242 236</b>	<b>5 846 672</b>
<b>5 Income tax expense</b>		
Provision is made for Company taxation on the net non-levy income of the levy fund.		
No tax is payable on levy income from the shareholders in terms of section 10(1)e of the Income Tax Act.		
Current	1 454 531	1 383 415
	<b>1 454 531</b>	<b>1 383 415</b>
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
<b>6 Trade and other receivables</b>		
Trade receivables (refer note 12)	1 131 203	1 566 802
Other receivables (refer note 12)	21 671	4 040
Interest receivable	3 032 992	3 112 258
Receiver of revenue - VAT	1 250 228	104 026
Prepayments	16 094 383	916 485
	<b>21 530 477</b>	<b>5 703 611</b>

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018 R	2017 R
<b>7 Levies receivable</b>		
Levy debtors	80 919	28 054
Repossessed debtors	35 486	37 524
Less: Provision for repossessed debtors	-	(6 202)
- Opening balance	(6 202)	(6 344)
- Movement	6 202	142
	<b>116 405</b>	<b>59 376</b>
<b>8 Reserve for property, plant and equipment</b>		
At beginning of year	57 327 101	48 729 893
Levy surplus for the year	15 419 975	14 892 579
	<b>72 747 076</b>	<b>63 622 472</b>
Property, plant and equipment additions and replacements during the year	(5 862 208)	(6 295 371)
At year-end	<b>66 884 868</b>	<b>57 327 101</b>
<p>The Directors have reviewed a forward estimate, prepared by management, of the costs of property, plant and equipment additions and replacements over the next ten years.</p> <p>The Directors have recommended replacement reserve expenditure for 2019 of R57,584,609 (2017: budgeted capital expenditure of R10,420,850 for 2018) which it is anticipated will decrease the budgeted reserve fund by R43,902,082 (2017: increase the budgeted reserve fund by R3,069,144 for 2018). The Directors have approved a rooms softs refurbishment of R43.4m in 2019 which is included in the R57.6m recommended 2019 budgeted expenditure. The design company being used is Falconer Management (Pty) Ltd trading as Falconer Design. The Company has made prepayments to date totalling R15.1m to secure goods at quoted prices.</p>		
<b>9 Trade and other payables</b>		
Trade payables (refer note 12)	3 584 104	3 146 902
Other payables		
Accruals (refer note 12)	2 532 352	2 778 232
Provision for auditors remuneration	138 200	95 400
Sundry payables (refer note 12)	793 691	718 890
Exchange fee rebate	36 563	438 749
	<b>7 084 910</b>	<b>7 178 173</b>
<b>10 Share capital</b>		
<b>Authorised and issued</b>		
32,000,000 ordinary shares of 1 cent each	320 000	320 000



# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018 R	2017 R
<b>11 Property, plant and equipment</b>		
<p>The Company complies with the SAICA Guide on Financial Reporting for Share Block Companies with respect to the treatment of property, plant and equipment. In terms of the SAICA Guide the right of use of property, vested with the shareholders, has been offset against the loan from shareholders with the balance transferred to the reserve for property plant and equipment.</p> <p>The Company acquired the rights to a property lease which includes, Beacon Island Hotel situated on: Erf No 253 Plettenberg Bay, Division of Knysna, measuring 1.3365 hectares. Period of lease - 99 years commencing 1 July 1983. Rental - R240,000 per annum payable in twelve equal monthly instalments. (refer note 12)</p>		
<b>12 Related party transactions</b>		
<p>The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited ("SSH"). The Company is charged the following fees in terms of the management agreement:</p>		
Short term rental fee	162 402	413 002
Management fee	2 039 234	2 083 208
Levy administration and collection fee	2 443 368	2 365 007
<p>SSH provides management services in respect of leases of the commercial areas to third party tenants. The fee for this service is a fixed percentage of gross rentals received by the Company.</p>		
Gross rentals received from tenants	2 006 402	1 969 861
Rental retained	(447 099)	(410 180)
Contractual share paid to SSH	1 559 303	1 559 680
<p>Southern Sun Timesharing Proprietary Ltd ("SST") is the accredited rental and resale services provider. During the financial year the Company received the following fee in terms of the management agreement:</p>		
Commission on resale and rental of weeks - SST	(211 853)	-
<p>Share Registry Management Services ("SRMS") provides an exclusive transfer of shares service to shareholders. During the financial year the Company (received)/paid the following fees in terms of the management agreement:</p>		
Commission on transfer of ownership - SRMS	(56 032)	-
Secretarial fees on repossessed debtors and use agreement fees - SRMS	35 871	34 487
<p>The Company also leases the property from SSH in terms of a 99 year lease. (refer note 11)</p>		
Lease payments	240 000	240 000
<p>During the financial year the Company paid membership fees to SunSwop (a division of SSH), which is affiliated to Interval International.</p>		
SunSwop exchange services	1 790 704	1 674 943

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018 R	2017 R
<b>12 Related party transactions (continued)</b>		
During the financial year the Company paid the following SSHI internal charges:		
- Information technology administration charge	254 515	74 669
- Training related charges	35 104	57 266
- Sunrands related charges	11 428	4 887
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of shareholders of the Southern Sun group, including the Company. These costs, which include insurance, certain maintenance and operating lease contracts, are recovered from the Company via a loan account. The balance of the loan account is as follows:		
Balance owing (to)/by SSHI and its subsidiaries:		
- included in receivables (refer note 6)	30 715	16 125
- included in payables (refer note 9)	(1 805 260)	(1 778 043)
	<b>(1 774 545)</b>	<b>(1 761 918)</b>
The Company receives rental income from Southern Sun Timesharing Proprietary Limited for the letting of office space:		
Rental income	<b>(75 963)</b>	<b>(70 336)</b>
In addition, Southern Sun Timesharing Resales Proprietary Limited ("SSTR") provides a rental service and recovers levies from the sale and rental of timeshare weeks on behalf of the Company.		
Balance owing to SSTR:		
- included in receivables (refer note 6)	<b>9 860</b>	-

SSHI own units in the Company as follows:

	Number of units	Levies paid R	Levies received in advance R
SunSwop (a division of SSHI) - 2018 shareholding	163	717 270	18 220
SunSwop (a division of SSHI) - 2017 shareholding	163	687 960	31 470

The following entities, related through common directorship, own units in the Company as follows:

## 2018 - shareholding

RN Dickson - Dream Vacation Club	183	904 810	258 090
AN Ridl - Club Leisure Group	574	2 659 580	499 760

## 2017 - shareholding

RN Dickson - Dream Vacation Club	182	867 850	290 290
AN Ridl - Club Leisure Group	574	2 549 670	740 110

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018 R	2017 R
<b>13 Directors emoluments</b>		
Directors have been remunerated an agreed upon fee per meeting attended for their services to the Company. In addition, Directors are reimbursed for costs incurred whilst performing the Company's business. Further, the Directors are insured for medical costs and personal accident. The Directors are also covered by insurance taken out by the Company as indemnification against all liability of any Director towards the Company in respect of any negligence, default, breach of duty or breach of trust.		
Directors emoluments paid for the year:		
LM Hodes	8 000	-
G Kaplan	8 000	-
JA Lee	8 000	-
AN Ridl	8 000	-
RJ Segal	8 000	-
DP Viljoen	8 000	-
CP Wells	8 000	-
	<b>56 000</b>	-
The board approved fees to be paid to the Director who was involved in the negotiation of the new management agreements with SSHI. Fees were paid for the personal time spent and expenses incurred during the negotiation process.		
Fees paid for the year:		
DP Viljoen	80 000	-

# Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2018

	2018 R	2017 R
<b>INCOME</b>		
Levies - normal	43 471 911	41 782 607
Net rent received	300 208	274 179
Rental pool and short term rentals	2 142 399	2 236 894
Sale of capital assets	2 083	192 982
Net non-levy income		
- telephone, rentals and penalties etc	801 484	853 753
	<b>46 718 085</b>	<b>45 340 415</b>
<b>EXPENDITURE</b>		
<b>Rooms Expenses</b>		
Band/Live music	853 779	760 015
Cleaning supplies	133 257	113 347
Guest entertainment	1 737 407	1 535 600
Guest supplies	597 739	473 667
Laundry	767 955	1 051 994
M-Net	763 963	711 066
Personnel costs		
- outside services	3 399 924	3 304 444
Pest control	18 168	14 815
Plants and decorations	17 485	37 593
Printing and stationery	73 000	71 756
Replacement of linen, towels, uniforms, etc	760 948	813 411
Security services	1 125 734	973 165
	<b>10 249 359</b>	<b>9 860 873</b>
<b>Administration and general</b>		
Auditors remuneration		
- current year	139 700	136 477
Bank charges	34 785	33 496
Central accounting and levy collection fees	2 443 368	2 365 007
Corporate social initiatives	134 776	31 478
Credit card commission	140 804	144 214
Fax and house calls	140 089	121 369
Information technology costs	842 298	728 485
Insurance		
- premium	185 648	155 914
- excess	41 500	-
- claims	(663 921)	-
Legal fees	-	8 801
Licences and permits	147 140	137 354
Loss on repossessed debtors	-	9 059
Marketing	83 890	86 492
Outside security	36 000	36 000
Postage	10 266	15 957
Printing and stationery	169 097	200 083
Professional fees	80 000	-
Provision for repossessed debtors	(6 202)	(142)
Railage, cartage and hire transport	8 079	24 949
<b>Balance carried forward</b>	<b>3 967 317</b>	<b>4 234 993</b>

# Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2018

	2018	2017
	R	R
<b>Balance brought forward</b>	<b>3 967 317</b>	4 234 993
Subscriptions	81 450	70 715
Sunswop exchange service	1 790 704	1 674 943
Travel		
- management and Directors	260 454	237 472
	<b>6 099 925</b>	6 218 123
<b>Electricity and water</b>		
Electric bulbs	30 590	43 625
Electricity	2 031 584	2 036 460
Generator fuel	272 181	288 930
Water	958 351	1 135 158
	<b>3 292 706</b>	3 504 173
<b>Repairs and maintenance</b>		
Buildings	81 445	50 196
Electrical and mechanical	163 348	93 480
Elevators	194 887	185 774
Gardens and grounds	341 141	374 014
Major repairs and maintenance	587 655	394 453
Office machines		
- maintenance contracts	47 663	82 810
Painting and redecorating	34 251	27 911
Plumbing and heating	55 732	30 072
Room maintenance care	352 081	307 449
Swimming pool cleaning and repairs	79 672	79 271
Vehicles	37 912	10 519
	<b>1 975 787</b>	1 635 949
<b>Company costs</b>		
Annual report and statutory costs	150 597	145 769
Municipal rates and taxes / cost recovery	945 427	884 567
Rent paid	240 000	240 000
	<b>1 336 024</b>	1 270 336

# Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2018

	2018	2017
	R	R
<b>Personnel costs</b>		
Rooms	6 523 057	6 028 219
Administration and general	2 640 011	2 532 413
Repairs and maintenance	1 929 712	1 777 799
	<b>11 092 780</b>	10 338 431
<b>Management fee</b>	<b>2 039 234</b>	2 083 208
<b>Total expenditure</b>	<b>36 085 815</b>	34 911 093
Excess of income over expenditure before finance income and taxation	<b>10 632 270</b>	10 429 322
<b>Finance income</b>		
Interest received	<b>6 242 236</b>	5 846 672
Excess of income over expenditure before taxation	<b>16 874 506</b>	16 275 994
<b>Taxation</b>	<b>1 454 531</b>	1 383 415
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	<b>15 419 975</b>	14 892 579

# Beacon Island Share Block Proprietary Limited

**Minutes of the Annual General Meeting of the Shareholders of Beacon Island Share Block Proprietary Limited for the Year Ended 31 December 2017, held on Friday, 5 October 2018 at 11h05 at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town Waterfront, Cape Town**

## **1. Welcome, Notice of Meeting, Attendance, Apologies and Proxies**

The chairman introduced himself as Laurance Hodes and welcomed all to the annual general meeting ("AGM") of the shareholders of Beacon Island Share Block Proprietary Limited. Notice of the meeting was properly given and the chairman advised that the required quorum to hold the AGM was achieved with more than three shareholders, holding at least 5% of the share capital, present.

The chairman recorded that a number of shareholders had provided apologies for not being in attendance and had submitted forms of proxy for voting purposes in their absence. He thanked all shareholders who were able to join this AGM and/or who had submitted a form of proxy.

The Chairman introduced his fellow directors, Messrs. Nicholas Dickson, Anthony Ridl, Charles Wells, Gary Kaplan, John Lee and Deon Viljoen. The management team in attendance of Messrs. Adam Fuller (resorts Director of operations), Warren Whiteboy (resorts financial manager), Reinhard Visser (general manager) and Messes. Melissa Terry (financial controller) and Lisa Sutton (secretary to company secretary) were duly welcomed.

## **2. Establishment of a Quorum**

The quorum achieved for this AGM was above 8.76% and the chairman declared the AGM duly constituted. He requested that any additional forms of proxy be handed to Ms Sutton for recording purposes.

## **3. Minutes of the Previous Annual General Meeting**

The chairman presented the minutes of the previous AGM, held on 8 September 2017. He highlighted a correction on page 29 of the annual report. He recorded that the word "not" was missing from the final sentence in the first paragraph under general matters for discussion, between "that this would" and "be included". The chairman had no further comments and none were received from the floor. Subject to the abovementioned correction, the chairman called for the Minutes of the 8 September 2017 to be adopted.

It was unanimously RESOLVED that the minutes of the previous AGM be and is hereby approved.

## **4. Matters Arising from the Minutes of the Previous Annual General Meeting**

Item 4 was to raise any matters from the previous Minutes. No matters were raised for discussion.

## **5. Adoption of Annual Financial Statements and Reports: Ordinary Resolution 1**

The chairman presented the annual financial statements for the year ended 31 December 2017, together with the reports of Directors, the independent auditors thereon, and the reports of the audit committee, and the social and ethics committee, as contained in the annual report of the company.

The chairman proposed ordinary resolution 1, as set out in the notice convening the meeting, relating to the receipt and adoption of the annual financial statements and accompanying reports contained in the annual report of the company for the financial year ended 31 December 2017. There were no questions or comments on the resolution.

It was unanimously RESOLVED that the annual financial statements for the year ended 31 December 2017 be and is hereby approved and adopted.

## **6. Appointment of Auditors: Ordinary Resolution 2**

The chairman proposed ordinary resolution 2, as set out in the notice convening the meeting, relating to the appointment of Grant Thornton as the independent auditors of the company until the conclusion of the next AGM of the company.

A shareholder enquired about the audit fees and audit partner in charge at Grant Thornton. The chairman replied that an increase based on CPI was agreed with the audit partner, Mr Hassan Paruk, for the year ahead. Ms Terry, advised another shareholder that the large variance in audit fees year-on-year, was mainly due to disbursements, which included additional costs for the audit team to travel from Durban to Plettenberg Bay. Mr Whiteboy advised all shareholders that since the appointment of Grant Thornton, overall audit fees were reduced by 40%.



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A shareholder enquired about costs relating to an AGM. The chairman advised that the costs related to travel of the Directors and administration team to the venue, the accommodation costs, food and beverage costs, venue hire, food and beverage provided at the AGM and so on.

The chairman called for the re-appointment of Grant Thornton as auditors for the ensuing year.

It was unanimously RESOLVED that Grant Thornton be and is hereby appointed as the independent auditors of the company.

## 7. Directors: Ordinary Resolution 3

The chairman reported that in terms of the memorandum of incorporation ("MOI"), the retirement of Directors followed a rotation process, with this year recording the retirement of one Director, Mr Dickson. Mr Dickson confirmed his eligibility and availability for re-election.

The chairman advised that a nomination on behalf of Mr Robert Segal was received prior to the meeting. Mr Segal was unable to attend the AGM due to his wife being very ill and having to seek urgent treatment in Israel. Mr Segal had consented to the nomination and submitted a copy of his CV. His proposer and seconder were present at the meeting. Mr Kaplan provided a brief summary on Mr Segal's expertise and experience.

The additional nomination for directorship resulted in there being two nominations for one available position on the board. Mr Dickson provided a brief summary on his expertise and experience.

The chairman proposed that the ordinary resolution, as set out in the notice convening the meeting, relating to the election a Director, follow a poll process. He further proposed that while the poll process be conducted, that the meeting continue until the tally of votes were confirmed. No objections were recorded.

The chairman referred to the ballot form and requested that shareholders tick the appropriate boxes, with one vote next to each name, in one of the three columns. Shareholders had only one vote in the "in favour of" column as there was only one position available and that any other vote may be against a person or an abstention.

A shareholder enquired why the board of Directors was male dominated. The chairman shared the shareholder's sentiment and replied that there was no female interest since the last female representative stood on the board. He assured that the Directors had discussed this concern and would investigate good candidates, to achieve diversity not only in gender, but in colour and age. The chairman took the opportunity to encourage shareholders of all gender, race and age to show an interest.

## 8. Appointment of Audit Committee: Ordinary Resolution 4

The chairman reported that, in terms of the Company's MOI, the Company is required at each AGM to elect an audit committee, comprising at least three members. The current members of the audit committee included Messrs Dickson, Kaplan and Ridl. Without the tally of the poll, the meeting was unable to appoint an audit committee without first confirming the board of Directors. The chairman proposed that the process be delayed until the announcement was made. No objections were received.

## 9. Appointment of Social and Ethics Committee: Ordinary Resolution 5

The chairman reported that the current members of the sub-committee, social and ethics committee, comprised Messrs Lee, Viljoen and Wells. While recommendation of the King IV commission was to appoint at least one Director to the sub-committee, three Directors were appointed members and were very involved. Mr Visser would again greatly assist the members of the sub-committee and the chairman was delighted to have his involvement and passionate approach to what the sub-committee initiated and provided. Other staff members were also very involved. The chairman recommended that the same social and ethics committee members be re-appointed for the ensuing year. No objections were recorded and the recommendation was carried.

## 10. Non-Executive Directors' fees: Special Resolution 1

The chairman proposed special resolution 1, as set out in the notice convening the meeting, relating to the approval of the fees payable to non-executive Directors for their services as Director.

This motion related to the payment of R8,000 to each Director per board meeting, per audit committee meeting, per social and ethics committee meeting, or cluster of meetings. The Directors of Beacon Island Share Block usually held meetings in a cluster so as to save on travel costs and other related costs.

The chairman recorded that a shareholder and his wife, also a shareholder, had prior to this meeting enquired about and subsequently objected to the special resolution. The objection was mainly around the proposed amount rather than the reason for the remuneration/emolument. The chairman put the special resolution to the meeting.

A shareholder mentioned that the resolution should read that the Directors be paid per cluster of meetings and that in exceptional circumstances, should the meetings be held separately, that the Director be paid per meeting.

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It was RESOLVED that in terms of the provisions of section 66(9) of the South African Companies Act 71 of 2008, R8,000 (Vat payable, to the extent applicable to this remuneration), payable to the non-executive Directors of the Company, for their services as Directors and/or members of the board sub-committees, or cluster of meetings, in respect of the period from 6 October 2018, be and is hereby approved.

The chairman recorded a decision made by the board prior to this meeting, that any Director who did not wish to receive remuneration, be permitted to donate the amount to a charity of his choice.

## 11. Insured Value of the Property

The chairman mentioned that as approved by the Directors, in terms of the use agreement and recommended by the independent quantity surveyors, Brian Heineberg and Associates, the insured value of the property be R396,763,036. Buildings are valued at R317,828,236 and furniture, fittings and equipment are valued at R78,934,800. There were no questions or comments and the recommended insured valuation of the property, as presented, was approved.

## 12. Report of the Social and Ethics Committee and General Manager's Report

The chairman requested Mr Charles Wells to present the report of the social and ethics committee and Mr Reinhard Visser, to present the general manager's presentation.

Mr Wells referred to page 8 of the annual report and proudly read out the role of the committee. He introduced his fellow social and ethics committee members as Messrs Lee and Viljoen and added that the committee was very ably assisted by Mr Visser and Mr Fuller. He took the opportunity to thank Mr Visser, Mr Fuller and all staff for their hard work and continued support.

Mr Visser gave an overview of the following:

- Average occupancy for the year: 89.9%;
- Guest centricity results: 92%;
- Staff completed development courses to further their skills and improve service delivery. He mentioned which staff members were promoted during the year;
- Special CSI projects supported during the year included Jack and Jill Day Care, Shine Reading Project at Phakamasani Primary School and Wittedrift Primary School;
- Awards: TripAdvisor awarded the resort with the Certificate of Excellence and the 2017 Travelers' Choice within the categories of top 10 bargain hotels in South Africa. Finalist in the 2017 and 2018 Lilizela Tourism Award in the category of Western Cape Four Star Hotel for service excellence. RCI Gold Crown Status – ranked amongst the top 5 resorts in the country, in RCI's category of Top Resort Maintenance and Top Unit Maintenance;
- Progress made in the Indigo Bay area spalling project along with the new "look-and-feel" to be achieved;
- Scope of works and proposed design of the R40m rooms, corridors, lift landings and lift interiors refurbishment. The meeting supported the proposal and approved the designs;
- Phenomenal achievements and savings made in water and electricity consumption; and
- The sad passing of three staff members during the year.

## 13. General Matters

Shareholders' comments:

The following salient comments were received and recorded from shareholders and discussed:

- The total insured valuation took into account all costs of demolition, clearing of site, disposal of debris and so on;
- The additional parking facilities at Beacon Island Resort was still under discussion as it was no longer as urgent as previously experienced, with less guests using their own vehicles when travelling and a new porter system in place for parking in the lower parking area;
- The property was inspected by the insurers and risk evaluators to ensure compliance and adequate insurance cover. Mr Chris Baragwanath, an engineer and one of the risk managers of Tsogo Sun who specialised in the area of risk was introduced to the meeting;
- The property is re-insured with a full international basket of insurers that included Lloyds, Zurich and others. The property is a component in Tsogo Sun's total Group insurance package that amounted to approximately R9bn. Mr Baragwanath stated that the property was adequately insured and welcomed any further discussion after the Meeting;
- The drain blockage in the steam room was resolved;
- The rental pool system was operating very well with a steady incline in dividends over the years. While the resort was in demand and showing a good rental business, the proposed refurbishment project would further improve the favourable position to adequately cover the levy and have a higher dividend pay-out;
- The wifi service provider, AlwaysOn, would in due course be changed to a more suitable system. There had been endless issues with the AlwaysOn connectivity and Tsogo Sun as a Group, was actively investigating an alternative solution;
- The rustic and wooden lean-to structure used on the property's lawn in front of the entertainment stage would be replaced when the new entertainment area was redesigned and that the heavy tables would be reconsidered;

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- The egrets created a health issue and letters were received from the Health Department. A lot of money was spent to encourage the egrets, in the most natural way as possible, not to nest on the property. A final solution was to remove the trees that they nested in. Locals had commented that the Resort looked much better since removing the trees;
- The upper parking area had been restructured to facilitate more parking and since the trees were removed, additional parking bays became available along the driveway. Parking near the tennis court area was being restructured to increase the options. Security at Beacon Island Resort was very good with sufficient guard presence to watch the vehicles, boats and so on at the bottom parking area. Management would insist that larger vehicles, boats, jet skis, bikes and other items be parked at the bottom parking area;
- Salaries and wages was usually the largest cost item to an operation and considered "normal" for the industry. Some years may record a lower expense due to vacancies in staff positions and in 2016 for instance, had fewer employees on the payroll compared to 2017. Swimming pool marshals was an additional head count due to safety reasons and the valet parking facility required additional staff. The higher personnel costs also included lumpsum bonuses for the staff members achieving their 10, 20, 30 or 40-year long service award;
- In order to sustain the tenant, Island Diner, the share block had written-off a previous debt owed by the tenant and agreed to forego the previously agreed 30% rental income as the share block wanted to keep the tenant operating to provide an excellent service to guests, without making a profit. The share block further assisted by providing furniture, crockery and cutlery over the years to ensure a better standard in the restaurant offering. In terms of the management agreement with Southern Sun Resorts/Tsogo Sun, management was obliged to step in and find a solution to any food and beverage issue to ensure the continued operation of the facility with as little interference as possible. The managing agent had a food and beverage team on standby should they be required to temporarily cover the service for any reason. Previous legal costs regarding Island Diner were borne by Southern Sun Resorts/Tsogo Sun;
- The board debated each cost item extensively. The average levy increase at Beacon Island Resort over the past 4-5 years had been about 4% which was consistently below inflation. Prudent management of the costs and increased sundry income allowed for lower increments; and
- The old aquarium below the Robberg lawn area was cleaned and resealed to become a grey water storage facility. It held just over 90,000 litres of grey water which was used for irrigation and outside cleaning requirements. Additional water tanks were being investigated by the Tsogo Sun Risk Department.

A shareholder recorded personal thanks and thanks on behalf of his fellow owners, for the fantastic management of the resort.

## 14. Result of the Election Poll

Mr Whiteboy was called upon to confirm the results. Mr Whiteboy recorded that Mr Segal was the successful in the Director election process and would stand on the board for the ensuing three years. The chairman thanked all for their participation in the process.

With the results now in hand and in terms of the appointment for the audit committee, it was unanimously RESOLVED that Mr Segal be and is hereby elected as a member of the Company's audit committee, to join Messrs Ridl and Kaplan.

Mr Ridl recorded his concern with the poll process and requested sight of the voting results. Mr Whiteboy, Ms Sutton, Mr Ridl and the chairman left the meeting at this stage, to discuss the query/objection.

Mr Wells, who was acting as chair since the chairman had left the meeting, requested permission to adjourn the meeting until further feedback was available from the chairman. The meeting agreed and the AGM was adjourned.

The meeting was called to recommence.

The chairman apologised for the adjournment. He recorded that the results of the voting process would stand as advised, until action was taken to set the result aside.

## CLOSURE

That being the case, the chairman thanked all shareholders for attending the AGM and their participation in the discussions.

There being no further business, the chairman declared the meeting closed at 13h24.

Read and confirmed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

\_\_\_\_\_  
Chairman